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JUL 19 1965

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June 30

AGRICULTURAL OUTLOOK DIGEST

ECONOMIC RESEARCH SERVICE # USDA # WASHINGTON, D.C.

AOD-106 JUNE 1965

Reduced pork output into '66...Vegetable supplies gain...Strong soybean meal demand

A favorable price situation has developed for livestock in recent months and the outlook for producers the rest of the year is good. Fed cattle prices in the first 3 weeks of June averaged about a fourth above a year earlier; they are expected to continue strong through the year.

Hog slaughter, now well below year-earlier levels, will likely continue reduced through mid-1966. The drop in production and marketing developed because hog prices in 1963 and 1964 were low in relation to corn prices. The hog-corn price ratio averaged 13.6 and 13.2 in these years, well below the 1957-62 average of 15.9.

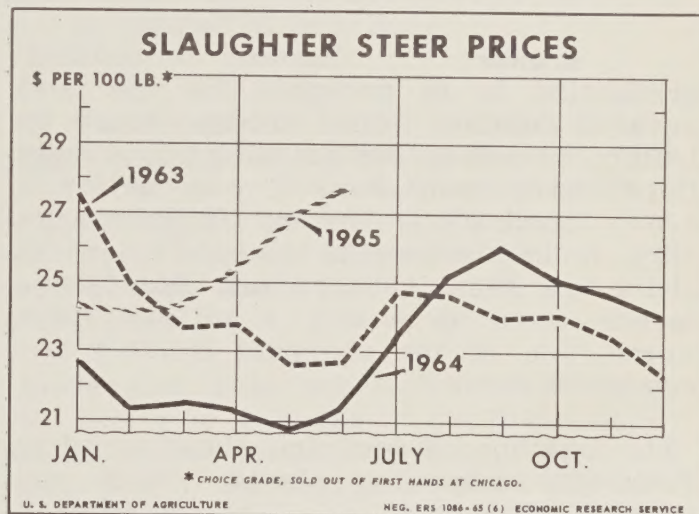
Producers cut the December 1964-May 1965 pig crop by 10 percent from a year earlier and by 15 percent from 2 years earlier. They also have stated intentions to have 7 percent fewer sows farrow during June-November this year than in these months of 1964. Since most butcher hogs are about 6 to 8 months old when marketed, slaughter supplies will likely be down substantially the rest of this year and at least into mid-1966.

Hog slaughter this summer and fall is expected to average 10 percent or more below year-earlier rates. Slaughter dropped below year-earlier levels in late 1964 and has remained below since. Commercial hog slaughter in January-April was down 10 percent from a year earlier. That decline has led to higher hog prices. For the first 3 weeks in June, barrows and gilts averaged \$22.83 per 100 pounds at 8 markets.

Prices this summer likely will average well above the July-September 1964

average of \$16.97. Moreover, prices will continue favorable to producers next fall, when supplies increase seasonally; the fall low price may be above the peak price during the summer of 1964, when barrows and gilts at 8 markets averaged \$17.11 in July.

The bright outlook for hog producers in coming months likely will stimulate expanded pig crops. The hog-corn price ratio next fall and winter will be higher than in several years, and the corn supply is expected to be adequate for expanded hog production.



Fed beef prices dropped sharply in 1963 and early last year in response to large production increases. Prices began recovering last summer, averaged \$24-\$25 per 100 pounds (Choice steers, Chgo.) through the first quarter of 1965, and reached \$27.75 for the first 3 weeks in June.

Dairy The volume of milk used for manufactured dairy products and fluid milk sales in the first 4 months of 1965 were slightly above a year earlier. Butter production for January-May was 2 percent below a year earlier, and evaporated milk output in January-April was down 12 percent. But output of other major products increased over early 1964.

Production Costs Farm production expenses this year are expected to go substantially above 1964 levels. Prices paid by farmers rose in January-May after relative stability throughout 1964. Mainly responsible for the recent gains have been rising costs of livestock and feed.

Numbers below tell the story; they are mid-month indexes of prices paid by farmers for production items, interest, taxes and wage rates (1910-1914=100):

Month	1964	1965
Jan.	324	328
Feb.	323	329
Mar.	324	329
Apr.	325	333
May	323	335

Broilers Rapidly increasing production is in prospect for the next several months. Pullet chicks placed by leading breeders for hatching-egg supply flocks have been above a year earlier in every month since January. In February-May, these placements totaled 19 percent above the same 1964 period. May placements were up nearly 1 million from April, one of the sharpest monthly advances on record.

The number of broilers slaughtered in Federally inspected plants, which ran only 2 percent above a year earlier in the third and fourth quarters of 1964 and 3 percent above in the first quarter this year, is likely to be up at least 5 percent in April-June and up about 10 percent in July-September.

Turkeys Turkeys raised in 1965 are expected to exceed last year's 99.5 million birds by about 2-3 percent. Live-weight output may be up 3 to 5 percent because heavy breeds will make up a

larger proportion of this year's crop. The 1965 crop will come mostly from poults hatched in September 1964 through August 1965.

During September-May, poult hatchings totaled 81.5 million, up 1 percent from a year earlier. And on June 1, there were 3 percent more eggs in incubators than on that date last year. The June hatch, however, probably was up slightly more than 3 percent because hatchability was expected to continue running above the 1964 level. By the end of June last year, 90 percent of the season's turkeys had been hatched.

Turkey prices to farmers in the main marketing months, September-December, likely will average a little above the 21.2 cents per pound a year earlier. Turkey demand in the holiday season is expected to benefit from the increased population, higher per capita disposable incomes, less competition from red meats, and some increase in exports. However, competition from broilers will be stronger than last year.

Soybeans Soybean supplies this summer will be much smaller than a year earlier and crushings and exports will fall off sharply from current rates.

Crushings in October 1964-May 1965 totaled 332 million bushels, 37 million above a year earlier. Estimate of crushings for the year ending September 30, 1965, remains at about 470 million bushels, 29 million above 1963-64. This means that the monthly soybean grind during June-September probably will average around 34.5 million bushels compared with 36.5 million in the same period last season. The decline in crushings is partly seasonal but also reflects the limited remaining supply of soybeans.

Stocks of soybeans at processing plants on June 1 totaled 72 million bushels, up from 48 million a year earlier. Thus, processors have enough beans at the mills for at least a 2-month crush.

Based on inspections, soybean exports from October 1, 1964, through June 18, 1965, totaled 165 million bushels, 15 million more than a year ago. This

increase is about in line with early-season expectations for about 205 million bushels exported in 1964-65, up from 191 million a year earlier, and represents virtually the entire increase projected for the year ending September 30. Exports may taper off in late summer as supplies are sharply reduced.

Soybean oil prices (crude, Decatur, Ill.) dropped sharply from an average of 12.1 cents per pound in April 1965 to 9.7 cents in mid-June, while soybean meal prices (44% protein, bulk, Decatur) strengthened--from \$69 per ton in April to \$76 in mid-June. The oil price drop reflects recent declines in world prices for edible oils and prospective larger supplies. Strength in meal prices mainly reflects expanding export demand for protein, primarily from Western Europe, as well as the strong domestic market and higher prices for livestock.

USDA announced on June 15 that total stocks of soybeans (farm and off-farm) will be reported as of September 1 instead of October 1. There has been a continuing trend toward earlier harvest, with a considerable amount of the new crop harvested in September. Furthermore, a varying amount of new-crop beans has been crushed and exported each year prior to October 1. The shift to a September 1 basis should make for a more accurate accounting of the utilization of old-crop soybeans before the new crop is harvested.

Tobacco Marketings of flue-cured tobacco in 1965 will be considerably less than in 1964. However, with a record carryover, the total supply for 1965-66 will be second only to the peak level a year earlier. Production of burley tobacco is expected to exceed that of 1964 and, together with a record carryover, is likely to provide a record-high supply for 1965-66. Flue-cured and burley are the two big-volume tobaccos that make up about nine-tenths of U.S. tobacco production.

Domestic use of flue-cured tobacco in 1964-65 gained, but exports were down about 10 percent from a year earlier. The indicated 1964-65 domestic use of burley is up significantly from a year earlier.

These gains are due to the rise in cigarette output.

In the year ending June 30, 1965, U.S. cigarette output is estimated at 562 billion, nearly 5 percent above the year before, when output declined 1 1/2 percent below 1962-63. Cigarette consumption by U.S. smokers in 1964-65 is estimated at 533 billion, about 24 billion more than in 1963-64 when, following the smoking and health report (January 11, 1964), there was a significant short-term drop in consumption. Exports of cigarettes in 1964-65 probably exceeded any previous fiscal year total.

Wheat The June Crop Report estimated the 1965 wheat crop at 1,283 million bushels, with winter wheat placed at 1,017 million, spring other than durum at 206 million, and durum at 60 million. These figures virtually match 1964 production, which totaled 1,290 million bushels.

The carry-in to the 1965-66 year, however, will likely be down somewhat from a year earlier, cutting total supplies for the 1965-66 year. (The official stocks report for the year ended June 30, 1965, will be published July 23.)

Vegetables With better weather, supplies of fresh vegetables are returning to near normal. By mid-June, marketings of most vegetables were much larger than the light volume of early spring, and prices were down sharply, although still above average.

Increasing fresh supplies are in prospect the next 6 to 8 weeks as harvest activity builds to the usual July-August seasonal peak. Early summer volume is expected to be moderately above a year earlier, with relatively large gains expected in the East and Midwest where drought sharply reduced output last year.

Potatoes U.S. potato prices to growers averaged a near-record \$4.94 per cwt. during May and rose to higher levels in early June as storage supplies dwindled and dry weather curtailed prospective new-crop yields in Southeastern States.

Prices have since declined a little, and probably will slip further in coming weeks as harvests increase seasonally. However, markets are expected to continue strong until volume supplies become available in major late-summer crop areas.

Supplies of potatoes for July marketing are apparently close to those of last year. Remaining late-spring supplies probably are at least moderately above 1964, mainly reflecting larger spring crops in California and North Carolina. But old-crop storage stocks are about depleted, and early-summer production is down 2 percent. Most of the expected decline in early-summer tonnage results from less acreage and lower yields in southern California. Prospective crops in the East are the same or larger than a year ago.

June 1 stocks of frozen French-fried potatoes amounted to 248 million pounds, down 22 percent from a year ago. Disappearance is holding at an exceptionally high rate, indicating a tight stock situation before the main packing season begins next fall. Also, freezers likely will pack more than usual through the summer, tending to strengthen the market.

Feed Grains Weather through the third week of June generally was favorable for completion of seeding and development of earlier-planted feed grain crops throughout much of the country. Cool and dry weather across most of the Corn Belt enabled corn producers

to make rapid progress in cultivation. However, field work in the western Corn Belt continued to lag because of delays caused by wet fields earlier in the season. Cool and dry weather has retarded corn growth in the eastern Corn Belt. Development in most Southern States was improved over a week earlier because of timely rains.

U.S. Economy Business activity in April and May continued around the record pace of the opening quarter this year. There were further advances into the second quarter in consumer buying, in business investment outlays, and in Government purchases of goods and services. In response to rising demand, employment in May was up 600,000 from the first quarter rate; unemployment dropped to 4.6 percent of the labor force, the lowest rate since October 1957. Industrial production and retail sales in May were up 2 percent from the first quarter rate. Wholesale prices of industrial products increased nearly 1 percent. With the increase in employment and rising wage rates, personal income payments in May totaled 1 percent above the first quarter rate.

Although the general economic picture is bright, some economic indicators turned downward in May. Factory orders for durable goods fell 5 percent from April's record, housing starts were off 4 percent, and the stock market has declined from the mid-May level.

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